

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date:

31 AUG 1992

Employer Identification Number: [REDACTED]

Form: 1120

Tax Years: [REDACTED]

Dear Applicant:

This is a final adverse ruling as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

This ruling is made for the following reason(s):

You are not operated exclusively for exempt purposes within the meaning of section 501(c)(3) of the Code. Your operations serve to benefit private interests more than incidentally. Furthermore, you have not established that your net earnings do not inure to the benefit of private persons or shareholders.

Contributions to your organization are not deductible under section 170 of the Code.

You are required to file federal income tax returns on the above form. Based on the financial information you furnished, it appears that returns should be filed for the tax years shown above. You should file these returns with your key District Director for exempt organization matters within 30 days from the date of this letter, unless a request for an extension of time is granted. Returns for later tax years should be filed with the appropriate service center as indicated in the instructions for those returns.

[REDACTED]

If you decide to contest this ruling under the declaratory judgment provisions of section 7428 of the Code, you must initiate a suit in the United States Tax Court, the United States Claims Court, or the District Court of the United States for the District of Columbia before the 91st day after the date that this ruling was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. Processing of income tax returns and assessment of any taxes due will not be delayed because a declaratory judgment suit has been filed under section 7428.

In accordance with section 6104(c) of the Code, the appropriate State officials will be notified of this action.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown above.

Sincerely,

(Signed) [REDACTED]
[REDACTED]

Director, Exempt Organizations
Technical Division

cc: [REDACTED]

cc: State officials

[REDACTED] [REDACTED]

Date: 1/25/92 S. 21 92

Washington, DC 20224

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date:

22 NOV 1991

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on [REDACTED] in the State of [REDACTED]. You were organized by [REDACTED] and [REDACTED] "to enlist men and women who are organized in Christian ministries to participate in the funding of an investment vehicle for the express purpose of building a resource of income from which to draw a supplementary salary during periods of unemployment, and to offer individual assistance with resume writing and income packaging in pursuit of available ministry opportunities through a network ministry placement service." [REDACTED] and [REDACTED] are brother and sister.

You intend to accomplish your purpose by creating an investment fund to be financed through payments of \$[REDACTED] per month from individuals engaged in furthering the Christian ministry such as pastors, church staff, denominational workers, college and seminary faculty, ministerial students and missionaries as well as from the employers of such individuals. The fund will be used to provide supplementary income to contributors who suddenly find themselves out of work. The contributions will be invested in low-risk investments providing high liquidity.

Contributions are not refundable. However, those participants who never draw supplementary income during their careers would qualify for a bonus refund of contributions upon retirement. These bonus refunds are determined by factors which include length of time as a program participant and the growth of the investment portfolio.

A contributor must be an active participant for a period of three years before becoming eligible for supplemental income benefits. A participant may cancel his association with you at any time. A participant would automatically terminate his relationship with you upon disengagement from Christian employment. Participants are also entitled to personal assistance in the nature of resume writing and placement service assistance upon request.

You have entered into a contract with [REDACTED] for investment management services. [REDACTED] is referred to in the contract as the Service Provider. [REDACTED] is a for-profit corporation controlled by [REDACTED] [REDACTED] are referred to in the contract as the Service Providers. The contract is for an initial term of 10 years and is renewable upon mutual consent of the parties.

The contract provides that contributions from the Christian workers participating in the fund will be invested through the Service Provider. The Service Provider will receive 16% to 20% of the invested funds as compensation for its services. The Service Providers, or their estates, will each be entitled to a "Founder's Fee" of 5% of the current market value of the investment fund upon completion or termination of the contract.

Your primary source of financial support will be payments from Christian workers participating in your investment program. You also hope to receive income in the form of contributions, gifts, and bequests.

Section 501(c)(3) of the Internal Revenue Code provides exemption from federal income tax for organizations organized and operated exclusively for charitable or other exempt purposes, no part of the net income of which inures to the benefit of any private individual or shareholder.

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that, in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. An organization that fails to meet either the organizational or the operational test is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more such exempt purposes. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of exempt purposes. The presence of a single nonexempt purpose, if

substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. Better Business Bureau v. U.S., 326 U.S. 279 (1945).

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes specified in section 501(c)(3) unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private interests. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Section 1.501(c)(3)-1(e) of the regulations states, in part, that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business as defined in section 513. In determining the existence or nonexistence of such primary purpose, all of the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under section 501(c)(3).

The investment and mutual aid plan you will operate is indistinguishable from similar activities of an ordinary commercial enterprise. The plan benefits the private interests of the participants by providing them with supplemental income benefits in the event their normal sources of income are interrupted. The fact that participants in the plan are employed by or work in Christian organizations does not lessen the private benefit they receive as a result of their participation in the plan. Therefore, your activities serve the private interests of plan participants in a manner proscribed by section 1.501(c)(3)-1(d)(1)(ii) of the regulations.

The provision in the contract between your organization and [redacted] serves the private interests of your founders because it guarantees each of them a 5% share in the assets of the investment fund. This, too, contravenes the requirement of section 1.501(c)(3)-1(d)(1)(ii) of the regulations that an exempt organization must not be organized or operated for the benefit of private interests.

Because your activities are indistinguishable from similar activities of an ordinary commercial enterprise and result in

private benefit to plan participants and to your founders, we have concluded that you are operated for the substantial nonexempt purpose of conducting an ordinary business which confers private benefits on your founders and the participants in the investment plan.

Accordingly, you are not exempt under section 501(c)(3) of the Code.

Contributions to you are not deductible under section 170 of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If you do not protest this ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director in Chicago, Illinois. Thereafter, any question about your federal income tax status should be addressed to that office. The appropriate State officials will be notified of this action in accordance with Code section 6104(c).

Sincerely yours,

(Signed) [REDACTED]

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 1